



c48-16-83475-1

## File—Serial Charge Out FD-5 (Rev. 6-17-70)

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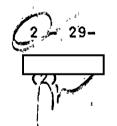
INTERNATIONAL SIGNAL AND CONTROL CORPL,
LANCASTER, PA.; FALSE FINANCIAL STATEMENTS
TO COMMONWEALTH NATIONAL BANK,
LANCASTER, PA., AND
AMERICAN BANK, LANCASTER, PA.
BF &E
OO: PHILADELPHIA

SAC (29-

On 1/4/80 SA met with	
AUSA, EDPA, and Special Agent,	
Defense Investigative Service. During the meeting, SA	,
advised that his agency had been investigating alleged fraud	
by substitution and falsification in U. S. Government contracts	;
by subject company.	b6
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SA provided a copy of his report which contains	
results of his interviews with a former International Signal and	
Control Corporation (ISCC) controller and two former ISCC	
accountants. These individuals related to him that ISCC	
regularly published false financial statements with inflated	
accounts receivable and inventory values for the purpose of	
obtaining bank loans. Their suspect accounting practices	ì
included creating phony sales invoices and pledging the	
same collateral on loans at different banks.	b6

AUSA \_\_\_\_\_\_ advised that if the allegations were substantiated he would be interested in prosecution of the matter because the large majority of ISCC's income is derived from U. S. Government contracts.

It is recommended that a case be opened and assigned in order that validity of allegations can be determined.



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ATTN OF; SSRA

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SUBJECT:

INTERNATIONAL SIGNAL AND CONTROL CORP.,

LANCASTER, PA.; FALSE FINANCIAL STATEMENTS

TO COMMONWEALTH NATIONAL BANK,

XX LANCASTER, PA., AND

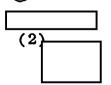
AMERICAN BANK, LANCASTER, PA.

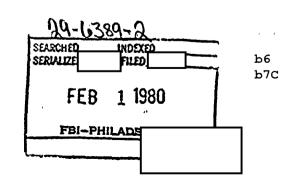
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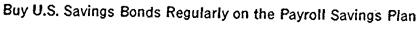
TO: SAC, (29-6389)(HRA)(P)

This particular investigative matter is going to be held in abeyance until such time as the HRA has the services of an accountant who could adequately handle this investigation.

(12) - 29-6389 (HRA)







Very truly yours,
EDGAR N. BEST Special Agent In Charge
BY: Supervisory Senior Resident Agent

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## FEDERAL BUREAU OF INVESTIGATION

	Qate of trans	cription 5/14/80	, ` <del>==</del> =
	)	·	
	Bruce R. Horton, 2721 Chapel Road, Lar telephone 872-2394, was contacted at his resider was advised of the identity of the below listed that he was to be interviewed for the purpose of statements he made in an interview with Defense Investigative Service. Muriel Horton, was present throughout the interview. Horton profollowing information:	ace. Horton agent and clarifying of the nis wife,	ь6 ь7С
,		til March, Horton included ton was concerning questionable g cash flow ISC never ts time and ents in order motivation	b6 b7С
	reported directly to told Horton that ISC prepared several directions of financial statements for the purpose of satisfic creditors, shareholders, and their own use. However, shareholders, when use given the figures and tabulated them in accordance with generally accounting practices. When not assisting with financial statements, Horton performed his normal as a cost accountant. Within his job area, he required to maintain several different sets of figures for each job. Most costs were adjusted labor costs were moved from one job to another on which job was over budget and/or under budget	sfying cton was statements by accepted the actual al duties was also cost downward and depending t. These	,
"ińvéstigati	igation on 5/6/80 Lancaster, Pa.	PHILADELPHIA 29-6389(HRA)	b6 b7C

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PH 29-6389

adjustments were made at the direction of his immediate supervisor.

Horton also stated that during their annual audit by independent accounting firms, instructions were given by \_ and Horton's supervisor to give the auditors a certain set of accounting records. With respect to Horton, he would simply give the auditors a specific set of job order costs. The other sets he maintained were never given to the auditors. Horton cannot say what the other accountants withheld from the auditors.

ISC had two accounting firms during Horton's tenure, the first was Ernst and Ernst Company of Harrisburg; the second was Haskins and Sells of Philadelphia. Horton believes that Haskins and Sells performs their audits at the present time.

Horton explained that it was important for ISC to obtain a favorable opinion on their financial position by Haskins and Sells in order to get the financing needed. As a result, the auditors were kept under close scrutiny. Horton believes a change of auditors was made because he feels Ernst and Ernst (E & E) was getting "too close" to discovering what was actually occurring. Horton recalls that was the field

Lancaster, Pa., (telephone) supervisor for E & E.

Horton said the following banks provided most of the financing for ISC:

> Commonwealth National Bank Harrisburg, Pa. (Centerville Road Branch)

American Bank and Trust Company of Pennsylvania Lancaster, Pa.

National Central Bank Lancaster, Pa.

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b6 b7C 29-6389

## Eighth Floor Federal Office Building 600 Arch Street Philadelphia, Pennsylvania 19106

Philadelphia, Pennsylvania 19	2106
June 10, 1980	· ·
Mr. Peter F. Vaira United States Attorney Eastern District of Pennsylvania 3310 United States Courthouse Independence Mall West 601 Market Street Philadelphia, Pennsylvania 19106	
Attention: Assistant United States Attorney	b6 b7C
CONTROL CORPOR FALSE FINANCIA COMMONWEALTH N LANCASTER, PA.	ONAL SIGNAL AND ATION, LANCASTER, PA.; L STATEMENTS TO
Dear Mr. Vaira:	
This is to confirm the conversation United States Attorney of your off Agent of the Harrisburg Restriction on Integral Control Corporation (ISC).	ice and Special b6 sident Agency of b7C
Assistant United States Attorney advised the results of the investigation con Although it appears that ISC may have violat statute involving false statements to financinsufficient evidence exists to adequately ptions. In addition, no financial loss has be the banks involved.	ed a Federal institutions, prove the allega- peen suffered by
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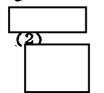
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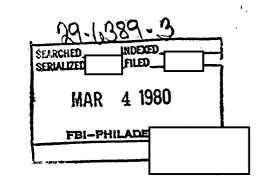
INTERNATIONAL SIGNAL AND CONTROL CORP., LANCASTER, PA.; FALSE FINANCIAL STATEMENTS TO COMMONWEALTH NATIONAL XX BANK, LANCASTER, PA., AND AMERICAN BANK, LANCASTER, PA. BF & E (B)

TO: SAC, (29-6389)(HRA)(P)

This investigation was formerly assigned to SA who has retired. It is now being reassigned to SA who has recently been transferred to the Harrisburg RA from Philadelphia.

(2) - 29-6389 (HRA)





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